



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	SB0301	Title:	Revise laws on public service commission regulation of municipal utilities
Primary Sponsor:	Smith, Cary	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$218,887	\$206,130	\$208,952	\$211,816
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: SB 301 requires a municipal utility to apply to the Public Service Commission (PSC) for rate or classification changes if the change: (1) increases total revenues more than 4.5% in any one year; (2) exceeds the amount necessary to meet bonding or loan requirements related to the municipality's share of the mandated capital improvements; (3) is proposed to encourage water conservation; or, (4) assesses users punitively based on lot size. Costs to the Public Service Commission are estimated to be \$389,017 for the 2017 biennium and \$36,000 for the Montana Consumer Counsel.

FISCAL ANALYSIS

Assumptions:

Public Service Commission (PSC)

- SB 301 applies to all municipalities' utilities. The Montana League of Cities and Towns lists 130 Montana cities and towns on its website. The PSC assumes that all of them have a municipal water utility, or sewer utility, or both. In addition, the City of Troy owns and operates an electric utility.
- Section 69-7-111, MCA, requires municipalities to mail notice of all municipal utility rate change hearings to the Montana Consumer Counsel (MCC). The MCC received 17 notices of municipality rate

increase hearings in 2012, 11 in 2013, and five in 2014, for a three-year average of 11. It is unknown if all municipalities currently comply with the MCC notice requirement.

3. It is unknown how many applications for approval of municipal rate changes the PSC will receive annually. For purposes of this fiscal note and based on the average number of notices of municipality rate increase hearings received by the MCC, the PSC estimates it will receive and process 11 applications using contested case proceedings in FY 2016 and in FY 2017.
4. The PSC estimates the contested case proceedings will require the addition of 1.00 FTE rate analyst in the Revenue Requirements Bureau and 1.00 FTE attorney in the Legal Division. Salary and benefits for the 2.00 FTE are estimated to be \$182,162 in FY 2016 and \$181,805 in FY 2017. In addition, the PSC would need \$1,600 for office packages and computers per FTE in FY 2016, and \$400 for phones and office supplies per FTE in each year of the biennium.
5. Specialized training will cost approximately \$2,100 for each FTE. Travel to the training facility would be \$2,500 for each FTE in FY 2016.
6. The PSC estimates that the 11 contested case proceedings will require single-day hearings to be held in FY 2016 and in each year thereafter. Court reporter fees would be \$3,025 and legal notice fees would be \$2,200 in each fiscal year.
7. There is a 1.5% per year inflation factor applied to personal services and operating expenses in FY 2018 and FY 2019.

Montana Consumer Counsel (MCC)

8. MCC will incur consulting services costs and other fees relating to the hearings referenced above. The estimated cost is \$18,000.

Public Service Commission

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
FTE	2.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$182,162	\$181,805	\$184,532	\$187,300
Operating Expenses	\$18,725	\$6,325	\$6,420	\$6,516
TOTAL Expenditures	\$200,887	\$188,130	\$190,952	\$193,816
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$200,887	\$188,130	\$190,952	\$189,624
TOTAL Funding of Exp.	\$200,887	\$188,130	\$190,952	\$189,624
<u>Revenues:</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
State Special Revenue (02)	(\$200,887)	(\$188,130)	(\$190,952)	(\$189,624)

Montana Consumer Counsel

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$18,000	\$18,000	\$18,000	\$18,000
TOTAL Expenditures	\$18,000	\$18,000	\$18,000	\$18,000
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$18,000	\$18,000	\$18,000	\$18,000
TOTAL Funding of Exp.	\$18,000	\$18,000	\$18,000	\$18,000
<u>Revenues:</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
State Special Revenue (02)	(\$18,000)	(\$18,000)	(\$18,000)	(\$18,000)

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date